

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549



02038271

**FORM 11-K**

(Mark One)



ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR



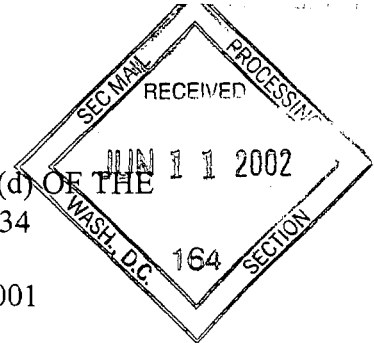
TRANSACTION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file numbers:

Philip Morris Companies Inc. 1-8940

Kraft Foods Inc. 1-16483



**PROCESSED**

JUN 14 2002

THOMSON  
FINANCIAL

**Kraft Foods Thrift Plan**

(Full title of the plan)

**1 - PHILIP MORRIS COMPANIES INC.**

120 Park Avenue  
New York, New York 10017

**2 - KRAFT FOODS INC.**

Three Lakes Drive  
Northfield, Illinois 60093

(Name of issuers of the securities held pursuant to the plan  
and addresses of their principal executive offices.)

**KRAFT FOODS THRIFT PLAN  
ANNUAL REPORT ON FORM 11-K  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To: The Compensation and Governance Committee of Kraft Foods Inc., the Corporate Employee Benefit Committee of Philip Morris Companies Inc., the Management Committee for Employee Benefits of Kraft Foods North America, Inc., the Administrative Committee and all Participants as a group (but not individually) of the Kraft Foods Thrift Plan:

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for plan benefits of the Kraft Foods Thrift Plan (the "Plan") at December 31, 2001 and 2000, and the changes in net assets available for plan benefits for the years ended December 31, 2001 and 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers*

Chicago, Illinois  
April 26, 2002

**KRAFT FOODS THRIFT PLAN**  
**STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS**  
**at December 31, 2001 and 2000**  
**(in thousands of dollars)**

	<u>2001</u>	<u>2000</u>
ASSETS:		
Allocated share of Trust net assets	\$ 2,992,463	\$ 3,071,576
Total assets	<u>2,992,463</u>	<u>3,071,576</u>
LIABILITIES:		
General and administrative expenses payable	<u>320</u>	<u>88</u>
Total liabilities	<u>320</u>	<u>88</u>
NET ASSETS	<u>\$ 2,992,143</u>	<u>\$ 3,071,488</u>

The accompanying notes are an integral part of these financial statements.

**KRAFT FOODS THRIFT PLAN**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**AVAILABLE FOR PLAN BENEFITS**  
**for the years ended December 31, 2001 and 2000**  
**(in thousands of dollars)**

	<u>2001</u>	<u>2000</u>
ADDITIONS:		
Employer contributions	\$ 37,278	\$ 34,009
Employee contributions	103,800	94,736
Allocated share of Trust investment activities:		
Interest income	49,861	43,415
Dividend income	57,536	155,942
Net (depreciation) appreciation in fair value of investments	<u>(169,835)</u>	<u>306,856</u>
	<u>(62,438)</u>	<u>506,213</u>
Total additions	<u>78,640</u>	<u>634,958</u>
DEDUCTIONS:		
Distributions and withdrawals	(156,398)	(213,962)
General and administrative expenses	<u>(2,984)</u>	<u>(3,046)</u>
Total deductions	<u>(159,382)</u>	<u>(217,008)</u>
Transfer from Balance Bar Company 401(k) Plan	<u>1,397</u>	<u></u>
Net (deductions) additions	(79,345)	417,950
NET ASSETS:		
Beginning of year	<u>3,071,488</u>	<u>2,653,538</u>
End of year	<u>\$ 2,992,143</u>	<u>\$ 3,071,488</u>

The accompanying notes are an integral part of these financial statements.

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

**1. General Description of the Plan:**

The Kraft Foods Thrift Plan (the "Plan") is a defined contribution plan designed to encourage employees to save for retirement by providing eligible employees with an opportunity to invest a portion of their compensation and to share in a matching contribution by Kraft Foods North America, Inc. ("Kraft Foods") by making such investment. Kraft Foods is a wholly-owned subsidiary of Kraft Foods Inc., which, in turn, is a subsidiary of Philip Morris Companies Inc. (the "Company").

Regular full-time non-union salaried employees, regular full-time non-union hourly employees, and regular part-time non-union salaried employees scheduled to work at least 1,000 hours of service during their first 12 months of employment, are immediately eligible to make tax-deferred and/or after-tax contributions to the Plan. After completing one year of service, eligible employees who make tax-deferred and/or after-tax contributions are eligible to receive matching contributions from Kraft Foods (the "Kraft Foods Matching Contributions") (see Note 3). The provisions of the Plan are detailed in the official Plan document that legally governs the operation of the Plan.

Effective December 15, 2001, the Plan was amended to add an employee stock ownership plan ("ESOP") feature. The ESOP feature permits each participant who has an investment in the Philip Morris Stock Fund as of the business day immediately preceding an ex-dividend date with respect to a dividend payable on shares of the common stock of the Company ("Philip Morris Common Stock"), to elect to receive the dividend payable with respect to the shares of Philip Morris Common Stock allocated to his or her Plan Accounts (see Note 4) in cash, or have the dividend reinvested in additional shares of Philip Morris Common Stock; and permits each participant who has an investment in the Kraft Foods Stock Fund as of the business day immediately preceding an ex-dividend date with respect to a dividend payable on shares of the Class A common stock of Kraft Foods Inc. ("Kraft Foods Common Stock"), to elect to receive the dividend payable with respect to the shares of Kraft Foods Common Stock allocated to his or her Plan Accounts in cash, or have the dividend reinvested in additional shares of Kraft Foods Common Stock.

The administration of the Plan has generally been delegated to the Management Committee for Employee Benefits of Kraft Foods (the "Committee") comprised of employees of Kraft Foods. The Committee has appointed the Administrative Committee to handle certain Plan administration matters. The Compensation and Governance Committee of Kraft Foods Inc. (the "Investment Committee") is responsible for the selection of the investment options set forth below in which participants elect to invest their Plan Accounts, the appointment of investment managers to manage one or more of the investment options and the monitoring of the performance of these investment options. The Committee and the Investment Committee are hereinafter collectively referred to as the "Fiduciaries".

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

Assets of the Plan are co-invested with the assets of other defined contribution plans sponsored by Kraft Foods in a commingled investment fund known as the Kraft Foods Master Defined Contribution Trust (the "Trust") for which Bankers Trust Company (the "Trustee") serves as the trustee (see Note 7).

Effective November 1, 2001, participants have the option of investing their Plan Accounts in five percent increments in the following nine funds. The Euro Equity Fund was first offered as an investment option on March 1, 2000; the Kraft Foods Stock Fund was first offered as an investment option on November 1, 2001.

**EQUITY INDEX FUND** - This fund is invested primarily in an index fund of stocks on a capitalization weighted basis in approximately the same proportion as the Standard & Poor's Composite Index of 500 Stocks (S&P 500).

**INTEREST INCOME FUND** - This fund consists primarily of investment contracts entered into by the Trustee, at the direction of the investment manager, with financial institutions, each of which agrees to repay in full the amounts invested with the institution, plus interest, and of pools of mortgage-backed and asset-backed securities, corporate bonds, and obligations of the United States Government and its agencies. As an integral part of the purchase of each pool of these investments for the Interest Income Fund, a financial institution agrees to protect the pool to the extent its market value fluctuates from original cost, but not in the event of a default of any security in the pool.

**U.S. GOVERNMENT OBLIGATIONS FUND** (formerly known as the **GOVERNMENT SECURITIES FUND**) - This fund includes primarily direct obligations of the U.S. Government or its agencies, obligations guaranteed by the U.S. Government or its agencies and fully insured bank deposits. The average maturity of the U.S. Government securities in the U.S. Government Obligations Fund is approximately five years.

**PHILIP MORRIS STOCK FUND** - This fund is invested primarily in Philip Morris Common Stock.

**KRAFT FOODS STOCK FUND** - This fund is invested primarily in Kraft Foods Common Stock.

**INTERNATIONAL EQUITY FUND** - This fund is invested primarily in common stocks of the foreign companies that make up the Morgan Stanley Capital International Europe, Australia and Far East (EAFE) index.

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
*(continued)*

**BALANCED FUND** - This fund is invested primarily in a diversified mix of domestic and international stocks, U.S. and international investment grade bonds, and investment grade money market funds. In general, the assets of the Balanced Fund may be invested according to the following mix: 40 percent to 70 percent in stocks, 20 percent to 55 percent in bonds and zero percent to 25 percent in money market instruments.

**GROWTH EQUITY FUND** - This fund is invested primarily in stocks of domestic and international companies, with market capitalizations between \$1 billion and \$6 billion, considered to have better-than-average prospects for long-term growth.

**EURO EQUITY FUND** - This fund is invested primarily in stocks of companies based in the European Monetary Union (EMU) member countries that adopted the euro as their common currency.

Each of the foregoing funds may also hold a portion of its assets in short-term temporary investments pending long-term investment, for liquidity purposes and, in the case of the Philip Morris Stock Fund and the Kraft Foods Stock Fund, for the temporary investment of dividends paid on shares of Philip Morris Common Stock and Kraft Foods Common Stock that are payable to participants who have elected to receive the dividend in cash (see Note 9). None of the foregoing funds guarantees a return to the participant. Participants normally can change their investment elections on any business day (see Note 4).

Each participant may vote all the shares of Philip Morris Common Stock held in his or her Plan Accounts and invested in the Philip Morris Stock Fund and may vote all the shares of Kraft Foods Common Stock held in his or her Plan Accounts and invested in the Kraft Foods Stock Fund. The Trustee will vote full and fractional shares of Philip Morris Common Stock and Kraft Foods Common Stock in accordance with each individual participant's instructions. The Trustee votes those shares of Philip Morris Common Stock and Kraft Foods Common Stock for which no or inadequate voting instructions have been received in the same proportions as the shares for which instructions have been received.

At December 31, 2001 and 2000, there were 30,173 and 30,160 participants, respectively, some of whom elected to invest in more than one fund. Set forth below is the number of participants investing in each fund.

	<u><b>December 31,</b></u>	
	<u><b>2001</b></u>	<u><b>2000</b></u>
Equity Index Fund	17,764	18,431
Interest Income Fund	14,638	13,787
U.S. Government Obligations Fund	6,160	3,934
Philip Morris Stock Fund	21,545	20,217
Kraft Foods Stock Fund	2,656	N/A
International Equity Fund	7,369	8,052
Balanced Fund	9,485	9,326
Growth Equity Fund	13,714	14,346
Euro Equity Fund	2,152	1,656



**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

Each participant is at all times fully vested in the balance held in his or her Tax-Deferred Contributions, After-Tax Contributions, Rollover and QVEC Accounts (see Note 4). Each participant is at all times fully vested in his or her share of any dividends paid on and after December 15, 2001 with respect to that portion of his or her Plan Accounts (including the Kraft Foods Match Account) that are invested in the Philip Morris Stock Fund and/or the Kraft Foods Stock Fund. A participant shall be fully vested in the remaining balance in his or her Kraft Foods Match Account upon attainment of age 65; permanent and total disability or death while employed by Kraft Foods, the Company, or any of their affiliates; upon a change in control of the Company (see Note 3); or upon a termination of the Plan (see Note 10). Otherwise, a participant who is employed by Kraft Foods, the Company, or any of their affiliates shall become vested in the remaining portion of his or her Kraft Foods Match Account based on the number of years of vesting service determined in accordance with the following schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2	0%
2 but less than 3	25%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

Kraft Foods Matching Contributions forfeited by terminated participants are used to reduce future Kraft Foods Matching Contributions to the Plan.

**2. Summary of Significant Accounting Policies:**

**Basis of Presentation:**

The financial statements are prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with generally accepted accounting principles requires the Fiduciaries to use estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Actual results could differ from those estimates.

**Valuation of Trust Investments:**

Investments in common trust funds are valued on the basis of the relative interest of each participating investor (including each participant) in the fair value of the underlying assets of each of the respective common trust funds.

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

Investment contracts and the pools of mortgage-backed and asset-backed securities and other investments held in the Interest Income Fund are recorded at their contract values, which represent contributions and reinvested income, less any withdrawals plus accrued interest, because these investments have fully benefit-responsive features. For example, participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. However, withdrawals influenced by employer-initiated events, such as in connection with the sale of a business, may result in a distribution at other than contract value. There are no reserves against contract values for credit risk of contract issuers or otherwise. The fair value of the investment contracts and the pools of mortgage-backed and asset-backed securities and other investments at December 31, 2001 and 2000 were \$708,084,012 and \$575,062,203, respectively. The average yield of the Interest Income Fund for the years ended December 31, 2001 and 2000 was approximately seven percent. The crediting interest rate of the Interest Income Fund at December 31, 2001 and 2000 was approximately six percent and seven percent, respectively. The crediting interest rate for the investment contracts is either agreed-to in advance with the contract issuer or varies based on an agreed-to formula, but cannot be less than zero. The crediting interest rate for the pools of mortgage-backed and asset-backed securities and other investments is reset periodically by the contract issuer based on the relationship between the contract value and the fair value of the underlying securities, but cannot be less than zero.

Securities listed on an exchange are valued at the closing price on the last business day of the year; listed securities for which no sale was reported on that date are recorded at the last reported bid price. Securities that are not listed on an exchange are generally traded in active markets and valued by the Trustee from quoted market prices. Equity securities, including Philip Morris Common Stock and Kraft Foods Common Stock, which represent approximately 37% and 1%, respectively, of the total Trust investments at December 31, 2001; and 35% and 0%, respectively, of the total Trust investments at December 31, 2000, are subject to significant market fluctuations.

Short-term temporary investments are generally carried at cost, which approximates fair value.

**Investment Transactions and Investment Income of the Trust:**

An investment transaction is accounted for on the date the purchase or sale is executed. Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on an accrual basis.

In accordance with the policy of stating investments at fair value, the net appreciation (depreciation) in the fair value of investments reflects both realized gains or losses and the change in the unrealized appreciation (depreciation) of investments held at year-end.

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

**3. Contributions:**

No contribution is required from any eligible employee under the Plan. Eligible employees may make contributions on a tax-deferred basis, an after-tax basis, or in a combination of the two. A participant may not make tax-deferred and after-tax contributions in excess of 16 percent of the participant's compensation. The aggregate contributions actually made by participants may not cause the Plan to violate limitations on such contributions set forth in the Internal Revenue Code of 1986, as amended (the "Code"). The Code also imposes a dollar limitation on the amount of tax-deferred contributions for a calendar year. For 2001 and 2000, a participant's tax-deferred contribution was limited to \$10,500.

Each year, Kraft Foods Matching Contributions are based on the amount of each participant's tax-deferred and after-tax contributions, up to a maximum of six percent of a participant's compensation ("Match-Eligible Contributions"). The Kraft Foods Matching Contributions percentage has been fixed at 60 percent of each participant's Match-Eligible Contributions for a Plan year. However, due to limitations under the Code, certain amounts for highly compensated employees are not contributed to the Trust but are instead recorded as liabilities of Kraft Foods.

Participants' contributions are recorded in the period in which they are withheld by Kraft Foods. Kraft Foods Matching Contributions are recorded in the same period that participants' contributions are recorded.

Kraft Foods Matching Contributions and participant contributions are made solely to the profit-sharing portion of the fund and are subject to specified limitations as described in the Code and the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The Plan provides, in the event of a Change of Control (as defined in the Plan) of the Company, for Kraft Foods Matching Contributions for the year in which the Change of Control occurs and for two years thereafter (the "Control Period") equal to the greater of (a) the average of Kraft Foods Matching Contributions as a percentage of Match-Eligible Contributions that were contributed to the Plan for the two years prior to the year in which the Change of Control occurs, or (b) 75 percent of each participant's Match-Eligible Contributions for each year during the Control Period.

**4. Valuation of Participant Accounts:**

A third-party recordkeeper retained by the Committee maintains Accounts for each participant to reflect the source and the participant's share of the funds invested in the Trust as follows:

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

<u>Account</u>	<u>Source</u>
Kraft Foods Match Account	Kraft Foods Matching Contributions
Tax-Deferred Contributions Account	Tax-deferred contributions
After-Tax Contributions Account	After-tax contributions
Rollover Account	Amounts transferred, directly or indirectly, from another plan qualified under Section 401(a) of the Code
QVEC Account	Qualified voluntary employee contributions made prior to January 1, 1987
Loan Account	Outstanding loans obtained from the Plan

Each business day the Trustee determines the current fair value of each of the investment funds in the Trust described in Note 1 and the third-party recordkeeper retained by the Committee determines the current fair value of each participant's share in the Trust with respect to their Kraft Foods Match, Tax-Deferred Contributions, After-Tax Contributions, Rollover and QVEC Accounts on the basis of their proportionate share in each investment fund. However, the fair value of each participant's share in the Trust may not be determined as of any business day if unforeseen circumstances makes such determination impractical or not in the best interest of Plan participants.

The following rules have been adopted by the Committee in connection with the valuation of the Philip Morris Stock Fund and the Kraft Foods Stock Fund. If trading in Philip Morris Common Stock or Kraft Foods Common Stock has been suspended on the New York Stock Exchange on a trading day and not resumed before the end of the trading day, the Trustee will use the composite price of the respective Common Stock as listed in *The Wall Street Journal* on the next business day. The Trustee will use a weighted average sale price method for valuing the portion of participants' Plan Accounts transferred from the Philip Morris Stock Fund or the Kraft Foods Stock Fund if using the closing price or composite price of Philip Morris Common Stock or Kraft Foods Common Stock results in a value of the respective Stock Fund which is at least one-tenth of one percent (0.1%) less than the value using the weighted average sale price method. The weighted average sale price method uses the average of all of the prices for which Philip Morris Common Stock or Kraft Foods Common Stock is sold over one or more business days as determined by the Trustee.

**5. Withdrawals and Distributions:**

Participants may make in-service withdrawals against their Kraft Foods Match, Tax-Deferred Contributions, After-Tax Contributions and Rollover Accounts under limited circumstances in accordance with the provisions outlined in the Plan. Effective December 15, 2001, each participant who has an investment in the Philip Morris Stock Fund or the Kraft Foods Stock Fund as of the business day immediately preceding an ex-dividend date with respect to a dividend payable on shares of Philip Morris Common Stock or Kraft Foods Common Stock, may elect to receive the dividend payable with respect to those shares allocated to his or her Plan Accounts in cash (see Note 1).

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

Upon termination of employment, including retirement, a participant has numerous options available, as described in the Plan, with respect to the distribution of his or her Plan Accounts. Normally, distributions are made within two weeks after a distribution request is made.

In the event the Plan is terminated, distributions will be made in accordance with the then current value of participants' Plan Accounts under the direction of the Committee and in accordance with the Code.

**6. Participants' Loans:**

The loan program permits participants to borrow from their Tax-Deferred Contributions, After-Tax Contributions and Rollover Accounts in accordance with the provisions outlined in the Plan.

A participant's Loan Account equals the principal amount of his or her loans outstanding. The principal amount of loan repayments reduce the Loan Account and are added back to the participant's Plan Accounts originally used as the source of the loan. The repaid amount (including interest) is reinvested in the funds according to the participant's investment authorization in effect at the time of repayment. Participants' loans are carried at the original principal amount less principal repayments.

**7. Investments Held by the Trust:**

The Plan's allocated share of the Trust's net assets and investment activities is based upon the total of each individual participant's share of the Trust. The Plan's approximate allocated share of the Trust and its approximate allocated share of the net assets of each fund in the Trust at December 31, 2001 and 2000 were as follows:

	<u>2001</u>	<u>2000</u>
Trust	93%	93%
Equity Index Fund	95%	94%
Interest Income Fund	94%	93%
U.S. Government Obligations Fund	95%	95%
Philip Morris Stock Fund	89%	89%
Kraft Foods Stock Fund	94%	N/A
International Equity Fund	100%	100%
Balanced Fund	94%	93%
Growth Equity Fund	99%	100%
Euro Equity Fund	98%	100%
Participants' Loan Account	88%	92%

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

At December 31, 2001 and 2000, the financial position of the Trust was as follows (in thousands of dollars):

	<u>2001</u>	<u>2000</u>
Assets:		
Investments at fair value:		
Equity Index Fund:		
Equity Index Fund		
(cost \$379,256 and \$380,572)	\$ 574,437	\$ 697,825
Short-term temporary investments		
(cost approximates fair value)	-	5
Interest Income Fund:		
Investment contracts (at contract value)		
(cost approximates contract value)	682,906	561,096
Short-term temporary investments		
(cost approximates fair value)	48,531	47,883
U.S. Government Obligations Fund:		
Government securities	-	
(cost \$100,155 and \$47,524)	100,680	48,670
Short-term temporary investments		
(cost approximates fair value)	1,002	825
Philip Morris Stock Fund:		
Common stock		
(cost \$764,177 and \$694,961)	1,182,132	1,160,260
Short-term temporary investments		
(cost approximates fair value)	34,091	35,283
Kraft Foods Stock Fund:		
Class A common stock		
(cost \$30,433 and \$0)	30,350	-
Short-term temporary investments		
(cost approximates fair value)	2,433	-
International Equity Fund:		
International Equity Fund		
(cost \$78,627 and \$89,641)	64,906	94,253
Balanced Fund:		
Balanced Fund		
(cost \$198,271 and \$199,988)	171,264	182,634
Growth Equity Fund:		
Growth Equity Fund		
(cost \$334,451 and \$401,699)	258,409	409,456
Euro Equity Fund:		
Euro Equity Fund		
(cost \$13,164 and \$10,813)	10,897	9,884
Other investments:		
Participants' Loan Account:		
Loans to participants	45,518	38,993
Clearing Account	<u>1,949</u>	<u>5,240</u>
Total investments	3,209,505	3,292,307
Receivables:		
Interest income	5,408	4,440
Dividend income	15,138	13,725
Other receivables	<u>4,721</u>	<u>999</u>
Total assets	3,234,772	3,311,471
Liabilities:		
Other payables	<u>4,662</u>	<u>1,344</u>
Net assets	<u>\$3,230,110</u>	<u>\$3,310,127</u>

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

The changes in the Trust net assets for the years ended December 31, 2001 and 2000 were as follows (in thousands of dollars):

	<u>2001</u>	<u>2000</u>
Additions:		
Employer contributions	\$ 41,384	\$ 38,471
Employee contributions	114,398	105,747
Investment activities:		
Interest	49,958	43,905
Dividends	64,284	163,656
Interest on participant loans	<u>3,302</u>	<u>2,993</u>
	117,544	210,554
Net (depreciation) appreciation in fair value of investments	<u>(169,817)</u>	<u>364,935</u>
Net investment activities	(52,273)	575,489
Deductions:		
Distributions and withdrawals	(181,374)	(232,534)
General and administrative expenses	(3,522)	(3,790)
Transfer to Philip Morris Deferred Profit-Sharing Trust	(27)	(672)
Transfer from Balance Bar Company	<u>1,397</u>	<u>-</u>
(Decrease) increase in Trust net assets	(80,017)	482,711
Net assets:		
Beginning of year	<u>3,310,127</u>	<u>2,827,416</u>
End of year	<u>\$3,230,110</u>	<u>\$3,310,127</u>

The net (depreciation) appreciation in the fair value of the Trust investments by fund for the years ended December 31, 2001 and 2000 was as follows (in thousands of dollars):

	<u>2001</u>	<u>2000</u>
Equity Index Fund	\$ (82,870)	\$(73,492)
U.S. Government Obligations Fund	689	1,676
Philip Morris Stock Fund	51,312	524,491
Kraft Foods Stock Fund	(165)	-
International Equity Fund	(20,722)	(19,695)
Balanced Fund	(14,351)	(33,790)
Growth Equity Fund	(101,042)	(32,730)
Euro Equity Fund	<u>(2,668)</u>	<u>(1,525)</u>
Total Trust	<u>\$ (169,817)</u>	<u>\$364,935</u>

**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(continued)

Investments that represented five percent or more of Trust net assets at December 31, 2001 and 2000 were as follows (in thousands of dollars):

	<u>2001</u>	<u>2000</u>
Equity Index Fund	\$574,437	\$697,825
Interest Income Fund:		
Bankers Trust Pyramid Mortgage- Backed Securities Index Fund	222,204	209,598
Philip Morris Stock Fund:		
Common Stock	1,182,132	1,160,260
Balanced Fund	171,264	182,634
Growth Equity Fund	258,409	409,456

**8. Transactions with Parties in Interest:**

The Fiduciaries are not aware of any transaction between the Plan and a party-in-interest (as defined by ERISA) or disqualified person (as defined in the Code) to the Plan (1) which is prohibited under the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of the Code, or (2) which has not been exempted from such prohibitions pursuant to a class exemption issued by the Department of Labor.

**9. Tax Status:**

By letter dated November 14, 1995, the Internal Revenue Service has determined that the Plan, as amended and in effect as of July 1, 1994, constitutes a qualified plan under Section 401(a) of the Code and the related Trust is, therefore, exempt from federal income taxes under the provisions of Section 501(a) of the Code. On November 20, 2001, Kraft Foods filed a request for a determination that the Plan continues to qualify under Section 401(a) of the Code, that the ESOP feature of the Plan is a stock bonus plan described in Sections 401(a) and 4975(e) of the Code and that the related Trust continues to be exempt from federal income taxes under Section 501(a) of the Code. Pending the issuance of this determination letter, no dividends on shares of Philip Morris Common Stock held in the Philip Morris Stock Fund or Kraft Foods Common Stock held in the Kraft Foods Stock Fund will be distributed to participants, but will instead be held by the Trustee in a short-term temporary investment account.

The Fiduciaries believe that the Plan continues to be designed and operated in accordance with the applicable provisions of the Code. Therefore, no provision for income taxes has been included in the Plan's financial statements. Accordingly, participants will not be subject to income tax on Kraft Foods Matching Contributions and tax-deferred contributions made on their behalf by Kraft Foods, on the making of a timely rollover contribution to the Trust, nor on earnings credited to their Plan Accounts until withdrawn or distributed.



**KRAFT FOODS THRIFT PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
(concluded)

**10. Plan Termination:**

The Board of Directors of Kraft Foods or the Committee, has the right, subject to the applicable provisions of ERISA and the Code, to amend (retroactively or otherwise) the Plan, suspend making Kraft Foods Matching Contributions to the Plan or to terminate the Plan. In the event the Plan is terminated or partially terminated (within the meaning of the Code), each affected participant will become fully vested in the balance in his or her Kraft Foods Match Account.

**11. Plan Transfer:**

Effective January 1, 2001, all of the assets of the Balance Bar Company 401(k) Plan were transferred to the Plan.

**12. Reconciliation of Plan's Financial Statements to Form 5500:**

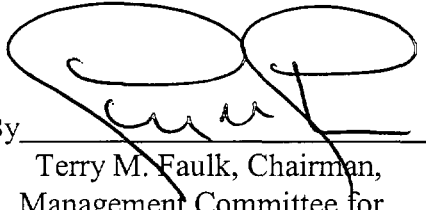
At December 31, 2001 and 2000, \$473,000 and \$1,862,000, respectively, were payable to participants who had requested distributions or withdrawals which were processed and approved for payment prior to year-end, but not paid until the following year. As required, these amounts are recorded as liabilities on the Plan's Form 5500, but are not reflected as liabilities in the Plan's financial statements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Management Committee for Employee Benefits of Kraft Foods North America, Inc., having administrative responsibility of the Plan, has duly caused this annual report to be signed by the undersigned thereunto duly authorized.

### **KRAFT FOODS THRIFT PLAN**

(Name of Plan)

By   
Terry M. Faulk, Chairman,  
Management Committee for  
Employee Benefits of  
Kraft Foods North America, Inc.

Date: June 5, 2002

## Exhibit 23

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File Nos. 33-1480, 33-17870, 33-37115, 33-38781 and 33-39162) of Philip Morris Companies Inc. and in the Registration Statement on Form S-8 (File No. 333-71266) of Kraft Foods Inc. of our report dated April 26, 2002 relating to the financial statements of the Kraft Foods Thrift Plan, which appears in this Form 11-K.

A handwritten signature in cursive script, reading "PricewaterhouseCoopers", followed by a small mark that appears to be "CP".

Chicago, Illinois  
June 5, 2002